

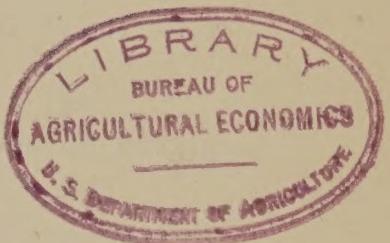
(Statement for Use at Wheat Meetings)

May 1938

1.42  
W56E  
JUN 16 1938

UNITED STATES DEPARTMENT OF AGRICULTURE  
AGRICULTURAL ADJUSTMENT ADMINISTRATION

WHAT ABOUT WHEAT THIS YEAR AND NEXT?



The estimates in this bulletin pertaining to 1938 wheat production are based on information available the latter part of April. Many things can happen to the wheat crop between now and harvest. Therefore, any statements made herein on the 1938 situation are preliminary and subject to whatever changes may occur in crop conditions.

The 1938 wheat crop will soon be harvested and farmers will soon be preparing for the crop of 1939. Early in the Summer of 1937 wheat farmers found themselves with a fair-sized crop and reasonably satisfactory prices. In 1938 they are faced with prospects of a somewhat larger crop, more than twice the carryover, and lower prices than a year ago. Prices have fallen more than 50 cents a bushel since the Spring of 1937.

In the face of this situation and in view of the provisions of the Agricultural Adjustment Act of 1938, what policy will American wheat growers adopt for the next 12 or 18 months?

(1). Loans may be made on wheat under the provisions of the Act. Should these loans be made at a rate high enough to keep most of the surplus wheat within the United States; or should they be made at a rate low enough to permit free export movement?

(2). If prices decline should parity payments be provided? Where should the funds come from for these payments?

(3). If the prospective carryover on July 1, 1939 is 400,000,000 bushels, what will the 1939 acreage allotments be under the Farm Act?

(4). Are wheat farmers prepared to make the necessary sacrifices to bring their acreage within the national allotment for 1939?

(5). If another large crop is in prospect by May 15, 1939, will wheat farmers vote for a marketing quota?

(6). What will wheat farmers lose if they reject marketing quotas on the 1939 crop?

#### WHEAT ACREAGE IN THE UNITED STATES

##### The Acreage Situation:

The acreage seeded to wheat in the United States for the 1938 crop is about 80,000,000 acres, as compared with 81,362,000 acres for 1937. (See Table 1.) The area seeded for 1938 is about 12,000,000 acres more than the average for 1928-32, when our largest previous surpluses accumulated. At average yields of 12 bushels, combined domestic requirements and exports of 700,000,000 to 750,000,000 bushels could be produced on 58,000,000 to 63,000,000 seeded acres.

All regions of the United States, except those where extremely dry weather has prevailed, have increased their wheat acreage in recent years. Farmers in the Great Plains region have responded with increased plantings to the stimulus of higher wheat prices. Farmers in the Corn Belt have planted wheat on grass and clover land after the grasses and clovers were killed out by the droughts of 1934 and 1936. Farmers in the eastern States have planted wheat as a winter cover crop in an effort to control erosion. (See Table 2.)

##### The Acreage Problem:

An acreage allotment sufficient to produce a reserve supply of wheat in 1939 may be less than 50,000,000 seeded acres. This would be about 60 percent of the national acreage seeded for 1938. The problem facing American wheat growers this Fall likely will be to adjust their farming operations for 1939 so as to bring their seeded acreage from 80,000,000 acres down to 50,000,000 acres or less in a single year. Faced this Spring with a comparable situation, cotton farmers are reducing their acreage from 41,000,000 acres for the 1928-32 period to less than 30,000,000 acres in 1938.

TABLE 1

Wheat: Acreage Seeded in the United States  
for the Years 1919 to 1938 inclusive

Year	Acreage Seeded 1,000 acres	Year	Acreage Seeded 1,000 acres
1919	77,440	1929	66,840
1920	67,977	1930	67,150
1921	67,681	1931	65,998
1922	67,163	1932	65,913
1923	64,510	1933	68,485
1924	55,706	1934	63,562
1925	61,738	1935	69,207
1926	60,712	1936	73,724
1927	65,661	1937	81,362
1928	71,152	1938 1/	79,774

1/ Preliminary

Source: U.S. Department of Agriculture, Bureau of Agricultural Economics.

TABLE 2

Wheat: Acreage Seeded in the United States, by States,  
1928-32 Average and 1938

Region and State	Acreage Seeded 1928-32 Average 1000 acres	1938 1/	
		Acreage Seeded 1000 acres	Increase Over 1928-32 Average 1000 acres
<u>Northeast</u>			
Connecticut	0	0	0
Maine	3	4	1
Massachusetts	0	0	0
New Hampshire	0	0	0
New Jersey	55	72	17
New York	249	311	62
Pennsylvania	1,004	1,094	90
Rhode Island	0	0	0
Vermont	1	0	-1
Total	1,312	1,481	169
<u>East Central</u>			
Delaware	100	85	-15
Kentucky	293	614	321
Maryland	475	488	13
North Carolina	363	524	161
Tennessee	318	562	244
Virginia	626	678	52
West Virginia	121	167	46
Total	2,296	3,118	822
<u>Southern</u>			
Alabama	3	8	5
Arkansas	36	94	58
Florida	0	0	0
Georgia	70	234	164
Louisiana	0	0	0
Mississippi	0	0	0
Oklahoma	4,685	5,959	1,274
South Carolina	72	180	108
Texas	3,930	5,315	1,385
Total	8,796	11,790	2,994
<u>North Central</u>			
Illinois	2,365	2,472	107
Indiana	1,797	2,035	238
Iowa	426	689	263
Michigan	781	918	137
Minnesota	1,445	2,289	844
Missouri	1,687	2,720	1,033
Nebraska	3,848	5,041	1,193
Ohio	1,913	2,418	505
South Dakota	3,777	3,701	-76
Wisconsin	103	119	16
Total	18,142	22,402	4,260

TABLE 2 (Continued)

Wheat: Acreage Seeded in the United States, by States,  
1928-32 Average, and 1938

Region and State	Acreage Seeded 1928-32 Average	1938 1/	
		Acreage Seeded 1000 acres	Increase Over 1928-32 Average 1000 acres
<u>Western</u>			
Arizona	24	45	21
California	725	815	90
Colorado	1,904	1,806	-98
Idaho	1,220	1,293	73
Kansas	13,290	17,453	4,163
Montana	4,527	4,879	352
Nevada	15	18	3
New Mexico	443	436	-7
North Dakota	10,568	10,025	-543
Oregon	1,046	1,184	138
Utah	278	303	25
Washington	2,452	2,295	-157
Wyoming	375	431	56
Total	36,867	40,983	4,116
<u>United States Total</u>	67,411	79,774	12,361

1/ Preliminary. Winter wheat seedings as published in Dec. 1937 Crop Report and spring wheat intentions as published in March 1938 Crop Report.

Source: U.S. Department of Agriculture, Bureau of Agricultural Economics.

### WHEAT SUPPLIES AND CARRYOVER

#### The Supply Situation:

The United States Crop Report for April indicated a winter-wheat crop of 725,707,000 bushels, and it has been estimated that average yields on the indicated acreage of spring wheat would result in a production of about 200,000,000 bushels. Also, it has been estimated that the carryover July 1, 1938, will be in the neighborhood of 200,000,000 bushels. Thus, the preliminary estimates indicate the possibility that wheat supplies in the United States for the 1938-39 marketing year may be as much as 1,125,000,000 bushels. (See Table 3.) This supply would be larger than for any year in our history except 1930, 1931, and 1932. If domestic utilization and exports should amount to 725,000,000 bushels for 1938-39, the carryover on July 1, 1939, would be around 400,000,000 bushels. The carryover of wheat on July 1, 1932, was 375,000,000 bushels, and on July 1, 1933, it was 378,000,000 bushels. The reserve supply level specified in the Farm Act provides for a carryover of 210,000,000 to 225,000,000 bushels.

#### The Problem of Supply and Carryover:

As wheat farmers will recall from their experiences in 1930, 1931, and 1932, excessive supplies and carryovers of wheat mean low prices and congested markets. Moderate reserves held as premiums by the Federal Crop Insurance Corporation, or held in any other way which would keep the wheat off the market, might reduce the pressure from a moderate surplus. But excessive surpluses such as are indicated for 1938 will result in lower prices no matter what policy is followed.

TABLE 3

Wheat: Carryover, Production and Total Supply in the United States, 1923 to 1938 inclusive

Year Beginning July 1	Carryover Beginning of Year 3/ million bushels	Production million bushels	Total Supply 1/ million bushels
1923	132	759	891
1924	137	842	979
1925	108	669	777
1926	100	832	932
1927	110	875	985
1928	112	914	1,026
1929	228	823	1,051
1930	289	887	1,176
1931	313	942	1,255
1932	375	757	1,132
1933	378	552	930
1934	274	526	800
1935	148	626	774
1936	142	627	769
1937	91	874	965
1938 2/	200	926	1,126

1/ Total supply as defined in the Agricultural Adjustment Act of 1938 is carryover plus production.

2/ Preliminary estimates.

3/ Includes small total amount of new wheat in some years previous to 1937.

Source: U.S. Department of Agriculture, Bureau of Agricultural Economics.

## WHEAT EXPORTS FROM THE UNITED STATES

### Export Situation:

The total volume of world trade in wheat, as measured by net exports of wheat-exporting countries, averaged 663,000,000 bushels during the pre-war period 1909-13. Net exports for all countries increased to 736,000,000 bushels annually for the five years 1920-24 and to 790,000,000 bushels annually for the five years 1925-29. World trade amounted to 947,000,000 bushels in the year 1928-29. In recent years world trade has dwindled to less than 600,000,000 bushels annually, and a preliminary estimate indicates total world trade of only 485,000,000 bushels for the year 1937-38. Before the war, exports from the United States averaged 16 percent of the world total. During the five years 1920-24, the United States exported 31 percent of the total world trade in wheat. By 1932 our share had declined to 5 percent of the world total. For the year 1937-38, it is estimated that United States exports of 90,000,000 bushels will amount to 18.6 percent of the world total. (See Table 4.)

World trade has declined because of restrictions such as tariffs and milling quotas in importing countries and because of the effort of most importing nations to increase their domestic production. It does not seem likely that the total world trade in wheat will exceed an average of 600,000,000 bushels annually until international policies are changed materially.

### The Export Problem:

Two problems face American wheat growers who plan to continue to produce wheat for export. One problem is that of increasing world trade. This involves reducing tariffs and other barriers against the free flow of wheat in international commerce. The second problem is that of maintaining a fair share of the total world trade for the United States.

In this connection a wheat marketing reviewer in Europe is reported to have suggested that the world's import requirements in 1938-39 might be filled without any exports from the United States, Russia, or India. The 1938-39 requirements, which this reviewer estimated at 500,000,000 bushels, might be supplied through shipments of 200,000,000 bushels from Canada, 130,000,000 bushels from Argentina, 110,000,000 bushels from Australia and 60,000,000 bushels from the Danube Basin.

Although other countries could, presumably, supply all import needs, it is not likely that the United States will withdraw from the export market. But, with world trade restricted, the significant fact is that any increased exports from one country will result in reduced exports from other countries. When United States wheat farmers seed 80,000,000 acres, they are, in effect, saying to the rest of the world that the United States is making a definite effort to get an unusually large share of the world export market, regardless of price.

TABLE 4

Wheat, including flour: Net Exports of all Net-Exporting Countries and U. S. Net Exports

Year August-July	Net Exports of all Net-Exporting Countries million bushels	U. S. Net Exports million bushels	% U. S. is of all Net-Exporting Countries percent
1909-10 to 1913-14 1/	663	105	15.8
1920-21 to 1924-25	736	231	31.4
1925-26 to 1929-30	791	159	20.1
1930-31	839	116	13.8
1931-32	795	115	14.5
1932-33	630	33	5.2
1933-34	555	29	5.2
1934-35	541	4 3/	-
1935-36	523	31 3/	-
1936-37	609	17 3/	-
1937-38 1/ 2/	485	90	18.6

1/ Years beginning July.

2/ Preliminary estimates.

3/ Net imports.

Sources: 1909-10 to 1913-14 - U.S. Department of Agriculture Yearbook, 1928, page 685.  
1923-24 to 1936-37 - Food Research Institute of Stanford University, "WHEAT STUDIES," Volume XIV, No. 4, page 170.  
1937-38 - U. S. Department of Agriculture, Bureau of Agricultural Economics, "THE WHEAT SITUATION" for December 1937.

WHEAT CONSUMPTION IN THE UNITED STATES

Changes in Consumption:

Since 1929 the amount of wheat milled annually for human consumption and commercial feeds has varied within the comparatively narrow range of 477,000,000 and 511,000,000 bushels. Although per capita consumption of wheat in the United States has been decreasing since before the war, increases in the population have tended to offset the decline in per capita consumption. For the next few years it appears likely that domestic milling requirements will average close to 500,000,000 bushels. The average domestic disappearance for the 1928-37 period was 681,000,000 bushels, of which approximately 85,000,000 bushels were used for seed, 100,000,000 bushels were used for livestock feed on farms where wheat is raised, and 496,000,000 bushels were milled either for flour or for commercial feeds. The amount fed to livestock has varied from 28,000,000 bushels in 1925-26, when wheat prices were relatively high, to 174,000,000 bushels in 1931-32, when wheat prices were very low. (See Table 5.)

The Outlook for Consumption:

Normal domestic requirements for the future may be around 650,000,000 bushels, including 500,000,000 bushels for milling, 75,000,000 bushels for feeding to livestock, and 75,000,000 bushels for seed. Efforts to increase the per capita consumption of white bread have not produced measurable results. Increases in the amount of wheat fed to livestock can be expected only when prices are low.

TABLE 5

Wheat: Consumption in the United States,  
1923-24 to 1937-38 inclusive

Crop Year	Seed million bushels	Feed (fed on farms of wheat growers) million bushels	Foods and Commercial Feeds million bushels	Total Domestic Consumption million bushels
1923-24	74	70	476	620
1924-25	80	56	477	613
1925-26	79	28	475	582
1926-27	83	34	496	613
1927-28	90	45	544	679
1928-29	84	57	513	654
1929-30	83	59	477	619
1930-31	81	157	510	748
1931-32	80	174	500	754
1932-33	84	125	510	719
1933-34	78	72	477	627
1934-35	83	84	488	655
1935-36	87	83	489	659
1936-37	96	93	511	700
1937-38	1/	1/	1/	675

1/ Not yet available.

Source: U.S. Department of Agriculture, Bureau of Agricultural Economics.

### WHEAT INCOME AND PRICES

#### The Price Situation:

Reviewing the price outlook in April 1938, the Bureau of Agricultural Economics stated: "The trend in domestic and foreign wheat prices is expected to be downward as adjustment is made toward the new-crop basis. Some temporary strengthening in prices may occur, however, as this is the time of year when crop scares and declining receipts of Southern Hemisphere grain in European markets may be expected."

As a result of the larger world wheat supplies, prices of imported wheat at Liverpool averaged \$1.10 in March 1938 as compared with \$1.36 in March 1937 and \$1.50 in April 1937. Farm prices in the United States declined from \$1.27 in April 1937 to 75 cents in April 1938. During the crop years 1930-31, 1931-32, and 1932-33, farm prices averaged 67 cents, 39 cents, and 38 cents, respectively. (See Table 6.) These were the only years when total wheat supplies in the United States have exceeded 1,100,000,000 bushels.

#### Price and Income Problem:

If prices are maintained above world levels for all of our wheat available for sale, surpluses tend to pile up in the United States and to depress prices in future years. On the other hand, if prices are allowed to descend to world levels at times when the wheat markets in other countries are demoralized, the cash return to American wheat growers is inadequate. In order for our wheat growers to dispose of excess supplies abroad, and at the same time to receive an income which will enable them to maintain a fair standard of living and to purchase the products of American factories, it is apparent that farmers need additional income on the domestically consumed portion of their wheat crop. A so-called two-price system might be maintained by means of export subsidies. Export subsidies, however, tend to be offset by countervailing duties on the part of other nations, involving considerable expense on the part of the United States. Moreover, the increased price at the seaboard is not always fully reflected to the producer of the wheat. Under the Wheat Adjustment Program for 1933-35, increased income to wheat producers was secured in the form of payments on the domestically consumed portion of the crop. Funds for this purpose were obtained by means of processing taxes. A payment of 12 cents per bushel of normal yield is being made for each acre in the wheat acreage allotment under the 1938 Agricultural Conservation Program.

Cash income from wheat declined from \$864,000,000 in 1927 to \$179,000,000 in 1932. The cash income for wheat sold in 1937 was \$666,549,000.

TABLE 6

Wheat: Prices at Liverpool and Chicago, United States  
Farm Price and Parity Price, 1923-24 to 1937-38 inclusive

Crop Year	Imported Wheat at Liverpool cents per bushel	No. 2 Hard Winter Wheat at Chicago cents per bushel	Farm Price cents per bushel	Parity Price cents per bushel
1923-24	120.8	105.8	92.6	145.0
1924-25	175.7	138.8	124.7	148.5
1925-26	168.9	161.0	143.7	149.4
1926-27	162.8	140.1	121.7	147.6
1927-28	151.9	138.5	119.0	147.6
1928-29	127.5	117.2	99.8	147.6
1929-30	129.2	129.7	103.6	145.0
1930-31	79.7	84.5	67.1	132.6
1931-32	59.2	52.9	39.0	114.0
1932-33	53.8	52.7	38.2	102.5
1933-34	68.2	94.1	74.4	109.6
1934-35	80.6	102.5	84.8	115.8
1935-36	90.0	103.9	83.2	112.3
1936-37	125.8	116.5	102.6	117.6
1937-38	131.7 1/	107.0 1/	99.4 2/	117.6 1/

1/ Simple averages of nine months, July to March.

2/ Preliminary estimate.

Source: U.S. Department of Agriculture, Bureau of Agricultural Economics.

### THE WORLD SITUATION AND OUTLOOK

#### The Situation:

The world supply of wheat declined from 5,013,000,000 bushels in 1933-34 to 4,410,000,000 bushels in 1937-38. The world carryover on July 1, 1937, was 556,000,000 bushels, as compared with 1,194,000,000 bushels on July 1, 1934.

It is too early to forecast production for 1938-39, but if yields in Europe are higher than in 1937, and if yields in Canada and Argentina are more nearly normal than last year, world production may be in excess of the 3,800,000,000 bushels produced in 1937-38.

World consumption of wheat in the last five years has varied from 3,759,000,000 bushels to 3,818,000,000 bushels. Thus it seems likely that any production in excess of 3,800,000,000 bushels produced in 1938 will be added to the world carryover on July 1, 1939. The world wheat surplus apparently reached a low point on July 1, 1937, and is now once more on the increase. (See Table 7.)

TABLE 7

Wheat: World Stocks, Production, and Disappearance,  
1923-24 to 1937-38 inclusive

Year	World Stocks on About July 1	World Production (excluding Soviet Russia and China)	Total Disappearance
	million bushels	million bushels	million bushels
1923-24	579	3,519	3,396
1924-25	723	3,127	3,280
1925-26	570	3,380	3,321
1926-27	656	3,494	3,511
1927-28	688	3,673	3,612
1928-29	754	3,996	3,722
1929-30	1,028	3,584	3,675
1930-31	944	3,847	3,849
1931-32	1,054	3,865	3,947
1932-33	1,042	3,865	3,781
1933-34	1,143	3,835	3,818
1934-35	1,194	3,543	3,786
1935-36 1/	953	3,582	3,791
1936-37 1/	773	3,538	3,759
1937-38 1/	556	3,819	-

1/ Preliminary.

Source: U. S. Department of Agriculture, Bureau of Agricultural Economics.

WHEAT PROVISIONS OF THE AGRICULTURAL ADJUSTMENT ACT OF 1938

Wheat is one of five commodities for which special provisions are included in the Agricultural Adjustment Act of 1938. These provisions were written into the Act to give wheat farmers a chance to work out a sound national wheat policy. The principal features of the Act which apply to wheat are:

(1). Loans: Loans may be made to wheat farmers under certain specified conditions.

(2). Acreage Allotments: As part of a continuing wheat program, the Act provides for an annual wheat acreage allotment which will keep supplies of wheat in the United States at or near normal levels.

(3). Marketing Quotas: Under emergency conditions, when the wheat surplus reaches certain points, wheat farmers can decide through a referendum whether marketing quotas should be used on wheat. Thus the question of marketing quotas is one that farmers must decide for themselves.

(4). Crop Insurance: Beginning with the 1939 crop, farmers may insure their wheat crop for one-half or three-fourths of their normal yields.

These provisions are important in developing a national wheat policy. The most significant points of these new provisions and their relation to national wheat policy are discussed on the following pages.

WHEAT LOANS

Provisions of the Act:

Section 302 of the Agricultural Adjustment Act of 1938 directs the Commodity Credit Corporation to make wheat loans available to cooperators, when the farm price of wheat on June 15 is below 52 percent of parity or when the July crop estimate for wheat is in excess of a normal year's domestic consumption and exports. The amount of the loans is to be not less than 52 percent and not more than 75 percent of the parity price of wheat at the beginning of the marketing year.

The parity price in April 1938 was \$1.15, and 52 percent of that price is 60 cents. The average domestic consumption and exports for the ten years 1928-37, inclusive, was 752,000,000 bushels.

Questions for Consideration in Connection with Loans:

(1). Shall loans on the different kinds of wheat be made at rates in excess of world prices?

(2). Shall the rate be uniform for all classes of wheat and at all locations, or shall an attempt be made to reflect the market value of the various classes and grades of wheat and the distance to market from the points where the wheat is stored?

(3). Under what conditions should farm-stored wheat be accepted as collateral for loans? Under what conditions should the Commodity Credit Corporation require that the wheat be stored in Federally licensed warehouses and elevators?

Problems Involved in Connection with Loans:

If the loan rate is too low, it will not be attractive to wheat producers.

On the other hand, loans in excess of world prices tend to have the following adverse effects:

(1). During the period in which high loans are made exports are retarded and surpluses pile up.

(2). The piling up of surpluses within the United States tends to reduce prices during following seasons. Prices supported by high loans would give the appearance of a better market than really exists and farmers may continue to seed more than they would if loans were not holding prices above the world market levels. This would serve to increase the surplus and so lead to an even more injurious price decline.

(3). Increasing the carryover in July of one year will automatically reduce the national acreage allotment under the Act for the following year.

In this connection it may be significant for wheat growers to recall that in 1929 the Federal Farm Board made loans on wheat at levels above world prices, and that in 1930 a carryover of 289,000,000 bushels was accompanied by a crop of 887,000,000 bushels, bringing total supplies to 1,176,000,000 bushels. Farm prices in July of 1930 were 70.6 cents, which was 31 cents less than prices in July of 1929. By November of 1930 farm prices had declined to 60 cents per bushel, at which time the Federal Farm Board authorized the Grain Stabilization Corporation to stabilize the price at the prevailing level by purchasing all wheat offered. In the course of this operation, the Stabilization Corporation pegged the price of the December future at about 77 cents in Chicago. Subsequently the Chicago May future was pegged at about 81 cents, and this operation continued until the close of business May 31, 1931. By that time the Stabilization Corporation held approximately 250,000,000 bushels of actual wheat and a large additional quantity of wheat futures. As soon as the Stabilization Corporation ceased its purchasing operations, prices declined drastically. Farm prices fell from 60 cents in May 1931 to 52 cents in June and to 36 cents in July.

### ACREAGE ALLOTMENTS

#### Provisions of the Act:

The Agricultural Adjustment Act of 1938 provides for wheat acreage allotments under the Conservation Program. It also provides for acreage allotments which are to be used in determining eligibility for loans and for calculating the amounts of farm marketing quotas. The acreage allotments represent seeded acreage. The national allotment for wheat must be ascertained and proclaimed not later than July 15 of each marketing year. The national allotment for seedings in the Fall of 1938 and the Spring of 1939 must be announced on or before July 15, 1938.

The 1938 national acreage allotment of 62,500,000 acres was specifically provided in the Act only for the purpose of determining wheat payments. In determining compliance for this year, wheat is considered in the group with other soil-depleting crops for which special acreage allotments are not made. Under the Act, the national wheat acreage allotment for each year following 1938 must be an acreage which will, on the basis of the national average yield for wheat, produce enough wheat, together with the estimated carryover, to make available a supply equal to a normal year's domestic consumption and exports, plus 30 percent thereof. For example, if the carryover on July 1, 1939, is expected to be 400,000,000 bushels, if 130 percent of a normal year's domestic consumption and exports is estimated at 950,000,000 bushels, and if the national average yield of wheat is 12 bushels per seeded acre, then the national acreage allotment for 1939 will be 550,000,000 bushels divided by 12 bushels, or 46,000,000 seeded acres.

#### Problems Involved in Connection with Acreage Allotments:

In view of the fact that the acreage planted for 1937 and for 1938 has been around 80,000,000 acres, wheat farmers, if they want to keep within the allotment, must make a drastic reduction from their present seedings. Apportionment of the national acreage allotment among States and counties is made on the basis of the acreage for the 10 years 1928-37, with adjustments for abnormal weather conditions and trends. Under this provision, counties and States where the acreage has been increasing will get a relatively larger share of the national allotment than counties and States where the acreage has been declining. Counties which expanded materially in 1937 and 1938, however, will need to make a much more drastic reduction from their present acreage than counties where seedings have been more uniform from year to year. The question before wheat farmers and Agricultural Adjustment Administration committeemen in wheat States is whether or not, in view of the experiences of 1930-1932, they will adjust their acreage and production now or wait until low prices force reduction upon them.

### MARKETING QUOTAS

#### Provisions of the Act:

The Act provides that a national marketing quota shall be announced whenever it appears that the total supply of wheat will exceed normal domestic consumption and exports by more than 35 percent. This announcement must be made not later than May 15 of any year. Then a referendum of wheat growers must be held between May 15 and June 10, and if two-thirds or more of the farmers voting in the referendum favor such action, the national marketing quota will become effective on the first of the following July.

Provision is made for collecting a penalty of 15 cents per bushel for all wheat marketed in excess of the marketing quota for any farm. This penalty is to be collected by the buyer of the wheat. If the wheat is sold, the buyer is responsible for the collection of the penalty, whether he is an elevator operator, another farmer, or any other person. Marketing wheat is defined as disposal by sale, barter, or exchange, but does not include wheat paid as premiums to the Federal Crop Insurance Corporation.

#### Problems Involved in Connection with Marketing Quotas:

One of the main problems in connection with marketing quotas is that of compliance. In effect, the marketing-quota sections of the Act provide for a cooperative endeavor in which two-thirds or more of the farmers voting in a referendum can impose certain marketing restrictions upon themselves and all other growers of the commodity. The amount to be marketed, however, must be sufficient to supply all domestic and export requirements. The effect of a quota is to place upon the farmer the responsibility for carrying over the excess supply.

### CONSIDERATIONS FOR A SOUND WHEAT POLICY

#### Acreage Policy:

Wheat acreage in the United States has fluctuated widely from year to year. When prices are high or when a large number of growers anticipate higher prices, rapid increases frequently occur. On the other hand, when wheat growing becomes relatively unprofitable, many growers who are able to shift to other crops go out of wheat production. The Agricultural Adjustment Act of 1938 offers wheat growers an opportunity to cooperate to bring about sufficient stability of acreage to stabilize wheat farming and wheat production.

Export Policy:

Another problem which wheat growers need to consider carefully is that of exports. Should the United States produce a large quantity of wheat for sale on the export market, should production be aimed only at domestic requirements, or should a middle course be pursued? Which is the wisest national policy?

The acreage planted to wheat in every year for which records are available has been sufficient, with average abandonment and average yields, to produce more than our domestic needs. The United States has been a net exporter of wheat every year since the signing of the Constitution, with the exception of 1837, 1934, 1935, and 1936. Except during the unusual conditions which prevailed from 1932 to 1936, the United States has had 14 percent or more of the world export trade in wheat.

Price Policy:

The United States could, conceivably, maintain prices to wheat growers regardless of conditions in the rest of the world. To do this, however, would require a higher tariff in some years than the 42 cent duty now in force. It would require also a permanent reduction in our seeded wheat area to 50,000,000 acres or less. Total income from wheat might, conceivably, be larger under an isolationist policy, but it would mean either reducing acreage on all of the farms now growing wheat or reducing the number of wheat farmers. Furthermore, under such a policy wheat prices would be so attractive in relation to the prices of other agricultural commodities that it would be almost impossible to keep wheat acreage down to the necessary level.

Another alternative in regard to prices would let them seek their normal relationship in comparison with world prices. This would permit the free flow of excess wheat into export channels. The situation which is likely to prevail throughout the world in the next few years will not permit United States wheat growers to get satisfactory prices and income on the world market. It would seem necessary, therefore, that wheat growers get some additional income, at least on that portion of their crop consumed in the United States. Such a policy deserves the earnest consideration of all wheat growers.

THE EVER-NORMAL GRANARY

The provisions of the Agricultural Adjustment Act of 1938 regarding (1) loans, (2) acreage allotments, (3) marketing quotas, and (4) crop insurance are not only instruments for protecting and stabilizing the income of wheat growers, but they are also instruments for protecting the consumer against violent fluctuations in the supplies of wheat. Recent years have shown how a few years of successive short crops due to drought, rust, or other uncontrollable causes, may be followed by successive seasons with wheat productions far above normal domestic consumption and export needs. These years of large wheat productions may in turn be followed by several short crops. Loans, marketing quotas, and crop insurance together furnish ample opportunity for setting up reserve supplies of wheat, either on the farm or in elevators. Acreage allotments may be either large or small, depending

on the carryover of old wheat at the time they are determined. If the supply in the granary is low, the national acreage allotment would be large in order to obtain a supply for normal domestic consumption and exports and also a reasonable reserve. If wheat supplies are large, the acreage allotment would be small, thereby permitting the building of the soil on many acres as a protection for the granary of the future.

#### THE FARMER'S PART IN A SOUND WHEAT POLICY

The wheat situation, although depending upon the outcome of this year's crop, shows a definite trend toward larger supplies and lower prices. Farmers want to continue to grow as much wheat as possible at a fair price. They want their wheat production to bring them their fair share of the national income. They want to see the United States continue to hold its share of the world wheat trade. But they know that to accomplish these objectives they must, as a group, make certain adjustments.

The Agricultural Adjustment Act of 1938 contains provisions which wheat farmers can use in working out their problems.

What courses of action are open to the individual farmer who wants to cooperate in this adjustment?

(1). He can face the wheat situation realistically, by seeding within his wheat acreage allotments for 1939.

(2). He can help maintain exports by supporting a reasonable loan policy which does not peg United States prices above world prices and so does not build up a new surplus in the United States.

(3). He can insure his wheat in the Federal Crop Insurance Corporation. This will help to stabilize his own operations, and it will put part of the wheat surplus in the insurance reserve where it will not be a threat upon the wheat market.

(4). If marketing quotas are necessary in 1939, and are voted for by wheat producers, he can give these quotas a fair trial. He can explain to his neighbor that quotas are for the good of all, and that, with quotas, noncooperators as well as cooperators have to carry their share of the surplus.

(5). He can conserve his soil, building up the acres not in wheat so as to give him an ever-normal granary of fertility in the soil as well as a reserve in his bins.

These are some of the things which farmers themselves can do to make the new wheat program succeed. Here are the facts as far as they can be determined. The program is voluntary. The farmers themselves must decide.

